

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 EA-07 NEA-10 IO-13 ISO-00 L-03
FRB-03 OMB-01 ITC-01 SP-02 USIA-06 AID-05 CIAE-00
COME-00 INR-07 LAB-04 NSAE-00 OIC-02 SIL-01
STR-04 TRSE-00 CEA-01 AGR-05 AF-10 ARA-06 /112 W
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R 151729Z APR 77

FM USMISSION GENEVA
TO SECSTATE WASHDC 6614
INFO AMEMBASSY BANGKOK
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ROME FOR FODAG

E.O.11652: NA

TAGS: UNCTAD, ETRD

SUBJECT: UNCTAD: THIRD PREPARATORY MEETING ON JUTE

REF: GENEVA 2778

1. SUMMARY: THIRD PREPARATORY MEETING ON JUTE AT THE
EXPERTS LEVEL COMPLETED ITS WORK APRIL 7 WITH ADOPTION
OF THREE RECOMMENDATIONS WORKED OUT IN CONTACT GROUP.
(SEE REFTEL FOR COMPLETE TEXTS.) THESE COVER (1) RESEARCH,
DEVELOPMENT AND MARKET PROMOTION, (2) COST REDUCTION IN
PRODUCTION OF BOTH RAW JUTE AND MANUFACTURED PRODUCTS
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AND (3) MARKET STABILIZATION. PRINCIPAL RECOMMENDATION
WAS ON NEED TO GIVE A BOOST TO THE R & D PROGRAM
THROUGH COORDINATION AND IMPLEMENTATION ENTRUSTED
TO "AN APPROPRIATE BODY REPRESENTING PRODUCERS AND
CONSUMERS." INDIA AND BANGLADESH FOUGHT VAINLY FOR
SIMILAR WORDING ON OTHER TWO TOPICS SO AS TO OBTAIN
CONSUMER COMMITMENT TO CREATION OF SOME FORM OF JUTE

ORGANIZATION EMPOWERED TO TAKE ACTION IN ALL THREE AREAS. IN FACE OF STRONG RESISTANCE OF US, EC AND JAPAN, THEY FINALLY SETTLED FOR ACKNOWLEDGEMENT THAT OTHER PROBLEMS EXIST WHICH REQUIRE FURTHER CONSIDERATION BY JULY PREPARATORY MEETING. END SUMMARY.

2. DELEGATIONS WERE PROVIDED WITH SERIES OF UNCTAD DOCUMENTS AT OUTSET OF MEETING, PREPARED WITH ASSISTANCE OF FAO-FOME STAFF, COVERING FOLLOWING TOPICS WHICH FORMED BASIS FOR INDIVIDUAL SESSIONS ON EACH: PRICE AND SUPPLY INSTABILITY - THE ROLE OF BUFFER STOCKS AND OTHER STABILIZING MEASURES; R&D AND MARKET PROMOTION; MARKET ACCESS; AND POSSIBILITIES FOR COST REDUCTION IN JUTE AGRICULTURE AND JUTE INDUSTRY. (TD/B/IPC/JUTE/L.4 TO L.11, TD/B/80/JUTE/R.1) SINCE MEETING WAS TO MAKE SPECIFIC RECOMMENDATIONS TO NEXT PREPARATORY MEETING, A SMALL CONTACT GROUP WAS DESIGNATED TO DRAFT RECOMMENDATIONS ON TOPICS LISTED IN PARA 1. BANGLADESH, INDIA AND THAILAND REPRESENTED PRODUCERS, US, EC AND JAPAN, CONSUMERS AND EGYPT, DEVELOPING COUNTRY CONSUMERS.

3. MARKET STABILIZATION: PRICE AND SUPPLY INSTABILITY ARE PERCEIVED BY THE PRODUCERS AS MAJOR PROBLEMS AFFECTING JUTE'S COMPETITIVE POSITION AND THEY ARGUED STRONGLY FOR BUFFER STOCKS, FINANCED BY PRODUCERS AND CONSUMERS, AS THE PRINCIPAL MECHANISM FOR REDUCING THE INSTABILITY. INDIA ADMITTED THAT PRICE INSTABILITY MAY NOT BE MOST IMPORTANT PROBLEM FACING JUTE BUT COUNTERED THAT SUPPLY SHORTAGES ARE A MAJOR FACTOR PROMPTING SUB-LIMITED OFFICIAL USE

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STITUTION OF SYNTHETICS. US DEL (ANGEVINS) CHALLENGED THESE PREMISES AND ARGUED THAT IN ANY EVENT PRICE FLUCTUATIONS WHICH DO EXIST CAN IN LARGE PART BE TRACED TO PRODUCER-GOVERNMENT POLICIES AND SUPPLY INSTABILITY, TO LACK OF PRODUCTION POLICIES. THE CASE HAD NOT, THEREFORE, BEEN MADE THAT NEW INTERNATIONAL MEASURES FOR STABILIZATION WERE REQUIRED. EC PROPOSED THAT THE UNOFFICIAL PRICING ARRANGEMENTS WITHIN FAO BE IMPROVED AS THESE HAVE ALREADY HAD A STABILIZING IMPACT. IN FACE OF BANGLADESH OPPOSITION TO THIS APPROACH, US ASKED WHETHER BANGLADESH OPPOSED DISCUSSION OF PRICING ARRANGEMENTS UNLESS WITHIN CONTEXT OF A BUFFER STOCK. BANGLADESH REPLIED IN THE AFFIRMATIVE. SUCH EXCHANGES MADE IT CLEAR ANY AGREEMENT ON TEXT OF RECOMMENDATIONS WOULD REQUIRE WORKING IN A SMALLER GROUP. SINCE IT WAS VIRTUALLY IMPOSSIBLE TO RECONCILE DIFFERENCES, EC TABLED A DRAFT TEXT WHICH SET THESE OUT IN SOME DETAIL. COMPROMISE LANGUAGE WAS FINALLY WORKED OUT WHICH SIMPLY SUGGESTED THAT VARIOUS MEASURES WHICH COULD CONTRIBUTE

TO STABILITY SHOULD BE EXAMINED FURTHER.

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4. RESEARCH, DEVELOPMENT AND MARKET PROMOTION: THIS
DISCUSSION REVOLVED AROUND THE UNDP PROPOSED
PRIORITY PROJECTS FOR R&D AND A DRAFT EC PROPOSAL. THE
EC PROPOSAL SUGGESTED THAT JUTE INTERNATIONAL BE AGREED
UPON AS SOON AS POSSIBLE BUT THAT AN AD HOC GROUP BE
ESTABLISHED IN THE INTERIM TO GET THIS PROGRAM OFF THE
GROUND. SINCE ALL PARTICIPANTS AGREED THAT THIS WAS
PERHAPS THE MOST PROMISING AREA FOR JUTE, THE DISCUSSION
CENTERED ON THE APPROPRIATE BODY FOR ACTION AND THE
SOURCES OF STABLE FINANCING OF THE PROGRAM. US STRESSES THEN
SELECTIVE IN CHOOSING PROJECTS WHICH
COULD LEAD TO GREATER EFFICIENCY IN AGRICULTURAL SECTOR
AND MANUFACTURING AND TO DEVELOPMENT OF NEW PRODUCTS
PARTICULARLY GEARED TO MAJOR MARKETS WITH SUPPORT FROM
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PRIVATE SALES IN BOTH PRODUCING AND IMPORTING COUNTRIES.
COMMENT: PARTICIPANTS WERE NOT PREPARED TO MAKE ANY
COMMITMENTS ON FINANCING OR TO AGREE TO A SPECIFIC OR-
GANIZATIONAL STRUCTURE; BUT BASED ON THE RECOMMEND-
ATION TO THE JULY MEETING, IT IS ANTICIPATED THAT MORE
SPECIFIC PROPOSALS MAY BE MADE AT THAT TIME AND/OR APPROVAL
SOUGHT FROM THE GROUP FOR UNDP TO PROCEED WITH ITS
PROGRAM.

5. MARKET ACCESS: THIS TOPIC RECEIVED SUPERFICIAL
TREATMENT WITH PRODUCERS GOING THROUGH USUAL ARGUMENTS
REGARDING COMPETITIVE NEED RESTRICTIONS ON US GSP
AND INDIA CONTENTING THAT EC PROTECTION DESIGNED TO
ALLOW ITS INDUSTRY TO DIVERSIFY OUT OF JUTE. US
INCLUDED STATEMENT IN RAPPORTEUR'S REPORT EXPLAINING
GSP RULES, TROPICAL PRODUCTS OFFERS IN THE MTN, AND
THE POSSIBILITY OF MFN TARIFF REDUCTIONS THROUGH MTN
STRESSING, HOWEVER, THAT BULK OF TRADE INCLUDING MOST
IMPORTANT PRODUCTS ALREADY ENTERS DUTY FREE.

6. COST REDUCTION: PRODUCERS PUSHED FOR SAME COM-
MITMENT TO COST REDUCTION PROGRAM AS WAS AGREED TO FOR R&D
WITH ADDED CONDITION THAT IT NOT INCLUDE PROJECTS
WHICH WOULD AFFECT SIZE OF LABOR FORCE ENGAGED IN JUTE
MANUFACTURE. JAPAN AND US MADE IT CLEAR THEY HAD NO
AUTHORITY TO COMMIT THEMSELVES TO ESTABLISHMENT OF SUCH
A PROGRAM OR ANY AD HOC BODY, AGREEMENT, OR ARRANGEMENT
TO DEVELOP AND IMPLEMENT SUCH PROGRAMS. US INSISTED
THAT A MUCH MORE THOROUGH REVIEW OF TYPES OF COST RE-
DUCTION MEASURES AND COST-BENEFIT ANALYSIS OF EACH WOULD
HAVE TO BE UNDERTAKEN BEFORE ANY RECOMMENDATIONS COULD
BE MADE. EXISTING INTERNATIONAL INSTITUTIONS WITH EX-
PERTISE IN PROGRAM EVALUATION AND BILATERAL AID PROGRAMS
APPEAR TO BE MORE APPROPRIATE CHANNELS TO WORK THROUGH
IN THIS AREA. PRODUCERS FINALLY AGREED TO ACCEPT
TEXT SUGGESTING THAT ACTION SHOULD BE TAKEN TO REDUCE
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COSTS WITH ISSUE OF HOW, WHEN AND THROUGH WHAT MEANS
LEFT ENTIRELY OPEN.

7. COMMENT: IN CONTRAST TO PREVIOUS MEETINGS, THIS
MEETING WAS MUCH MORE SUBSTANTIVE AND DEVELOPED INTO
A USEFUL EXCHANGE OF VIEWS BETWEEN THE MAJOR PRODUCERS
AND CONSUMERS. THIS WAS SOMEWHAT SURPRISING,
THE MEETING COMING AS IT DID ON THE HEELS OF THE COMMON
FUND SESSION THE RESULTS OF WHICH WERE NOT WELL RECEIVED
BY SUCH LDC'S AS BANGLADESH. US AND EC EFFORTS TO DISCUSS

SUBSTANCE WERE HAMPERED BY FREQUENT INTERVENTIONS OF BANGLADESH'S AHMED, THEIR GENEVA DCM AND A COMMON FUND IDEOLOGIST, WHO PERSISTENTLY ARGUED THAT UNDER RESOLUTION 93(IV) ANY AGREEMENTS ON JUTE MUST BE RELATED TO JOINTLY FINANCED BUFFER STOCKS. HOWEVER, SPOKESMEN FROM CAPITALS (INDIA-DAS AND BANGLADESH-CHRISTY) SOUGHT TO KEEP THE DISCUSSIONS FOCUSED ON SUBSTANCE. NEVER- THE LESS THE DIFFICULT SESSIONS IN THE CONTACT GROUP REVEALED THE CONSIDERABLE GULF BETWEEN THE TWO SIDES ON SEVERAL KEY ISSUES AND THE JULY MEETING COULD REVERT BACK TO A TEST OF POLITICAL WILL RATHER THAN A CONTINUED DISCUSSION OF THE ELEMENTS CONTAINED IN THE RECOMMENDATIONS. WE BELIEVE IT DESIRABLE THAT POSTS IN PRODUCER CAPITALS ENCOURAGE HOST GOVERNMENTS TO CONTINUE LINE OF DISCUSSION BEGUN AT THE EXPERTS LEVEL AND POINT OUT ADVANTAGES OF DEALING WITH JUTE QUESTIONS IN OWN CONTEXT RATHER THAN HOPE FOR IPC OF ON COMMON FUND TO SOLVE THEIR PROBLEMS.

8. NOTE: THIS REPORT PREPARED BY US MISSION GENEVA AFTER DELEGATION DEPARTURE. SORENSON

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Message Attributes

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Decaption Note:
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Disposition Approved on Date:
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